

Message Text

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TO AMEMBASSY CAIRO IMMEDIATE

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SUBJECT: HOAGLAND ARTICLES ON CORRUPTION

FOR AMBASSADOR FROM MATTHEWS

1. JAMES HOAGLAND OF THE WASHINGTON POST HAS JUST COMPLETED SIX PART SERIES ENTITLED QUOTE THE ARAB MONEY MEN UNQUOTE, DEALING WITH CORRUPTION AND GREED IN THE MIDDLE EAST. THE LAST ARTICLE APPEARING IN SEPTEMBER 19 POST CONTAINS FOLLOWING ALLEGATIONS CONCERNING PERSONALITIES IN EGYPT. WE DOUBT THAT GHORBAL WILL REPORT THIS BUT FELT THAT YOU SHOULD BE AWARE IN CASE IT COMES TO LOCAL ATTENTION.

2. BEGIN TEXT. TALES OF PEOPLE AT THE TOP GETTING MORE THAN THEIR SHARE ABOUND IN CAIRO CAFES AND INFORMAL TRADE UNION CENTERS THAT SERVE AS POLITICAL FORUMS. THE SPECULATION DOES NOT EXCLUDE SADAT NOR HIS ATTRACTIVE, DYNAMIC WIFE, JEHAN.

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CAIRO GOSSIP VARIOUSLY PUTS THE NUMBER OF EXPENSIVE PRIVATE RESIDENCES SADAT HAS ACQUIRED SINCE COMING TO POWER IN 1970 AT EIGHT TO 14. A GOVERNMENT STRONG-ARM ATTEMPT TO GET THE UNITED STATES EMBASSY TO YIELD

PERHAPS THE CHOICEST PIECE OF REAL ESTATE IN CAIRO FOR A NEW SADAT RESIDENCE ON A BARGAIN BASIS WAS CANCELED AFTER IT WAS DISCLOSED IN THE WASHINGTON POST LAST OCTOBER.

THE WIDESPREAD BUT UNPROVEN REPORTS OF MRS. SADAT'S DEVOTING MUCH OF HER ENERGY TO GATHERING THE FAMILY FORTUNE HAVE RECENTLY INSPIRED SERMONS IN AT LEAST ONE CAIRO MOSQUE STRIKING AT QUOT: ANY HIGH PERSONALITY WHO MAY BE DESCRIBED AS AN ANGEL UNQUOTE BUT WHO QUOTE IS USING A POSITION FOR ENRICHMENT UNQUOTE. THE EGYPTIAN MEDIA FREQUENTLY REFER TO MRS. SADAT, WHO IS ACTIVE IN CHARITY, AS QUOTE AN ANGEL OF MERCY UNQUOTE.

MOST OF THE CRITICAL SCRUTINY OF THE EGYPTIAN INTELLIGENTSIA AND TRADE-UNION ACTIVISTS FOCUSES ON ASHRAF MARWAN. AS SADAT'S SECRETARY FOR EXTERNAL CONTACTS, MARWAN IS THE GO-BETWEEN IN NEGOTIATIONS WITH OTHER ARAB LEADERS.

LITTLE KNOWN IN THE WEST, HE IS THE MOST CONTROVERSIAL FIGURE IN THE EGYPTIAN GOVERNMENT. ANY DISCUSSION WITH DIPLOMATS OR EGYPTIAN BUSINESSMEN ABOUT THE RUMORS OF GOVERNMENT RAKE-OFFS UNFAILINGLY PRODUCE HIS NAME. DETAILS ARE USUALLY VAGUE, BUT SADAT'S OPPONENTS-AND SOME OF HIS POLITICAL SUPPORTERS-HAVE SUCCEEDED IN ATTACHING AN UNSAVORY AURA TO MARWAN'S DEALINGS.

SADAT APPEARS TO TAKE NO NOTICE. HE HAS JUST NAMED MARWAN TO HEAD THE ARAB ARMS MANUFACTURING AUTHORITY, WHICH WILL SPEND THE BILLION DOLLARS PROVIDED BY THE PERSIAN GULF COUNTRIES. LIKE OTHER DEFENSE DEALS DESCRIBED IN THIS SERIES, IT WILL BE PROTECTED FROM DETAILED PUBLIC SCRUTINY.

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FRENCH BUSINESS SOURCES SAY THEY CHANNEL AS MUCH BUSINESS AS POSSIBLE THROUGH RELATIVES OF FOREIGN MINISTER ISMAIL FAHMI, AND THEY REPORT SUCCESS.

IN A TOTALLY DIFFERENT CATEGORY IS ANOTHER IMPORTANT POLITICAL-BUSINESS FAMILY HEADED BY SAYED MAREI, THE SPEAKER OF THE EGYPTIAN NATIONAL ASSEMBLY AND THE MAN POPULARLY THOUGHT TO BE SADAT'S CHOSEN SUCCESSOR.

MAREI, MINISTER OF AGRICULTURE UNDER GAMAL ABDEL NASSER, HAS ESTABLISHED A STRONG BUSINESS BASE AS ONE OF THE COUNTRY'S MOST IMPORTANT FARMERS. HIS SONS ARE ACTIVE IN DEALING WITH FOREIGN COMPANIES. THE MAREIS PLAYED A

KEY ROLE IN ENCOURAGING FOREIGN INVESTORS TO LOOK AT THE POSSIBILITIES OF MAKING THE EGYPTIAN WESTERN DESERT AROUND THE NUBIRIYAH CANAL AREA BLOOM WITH LARGE-SCALE AGRO-INDUSTRY.

THE PLAN ORIGINALLY INVOLVED LEASING 300,000 ACRES OF STATE-OWNED LAND FOR 51 YEARS TO A LARGE AMERICAN COMPANY, FOOD MACHINERY CORP. OF SAN JOSE, CALIFORNIA.

THE LARGE AMERICAN INVOLVEMENT WAS THE KIND THAT WAS SUPPOSED TO BOLSTER AMERICAN-EGYPTIAN RELATIONS AFTER PRESIDENT NIXON'S VISIT TO CAIRO IN JUNE 1974. LIKE THE NIXON PRESIDENCY, HOWEVER, THE DEAL COLLAPSED AND LEFT A BITTER TASTE.

AS WORD OF THE PROPOSAL FILTERED OUT, FEARS OF A MAJOR LAND-GRAB IN EGYPT SPREAD AMONG EGYPTIANS STILL SENSITIVE TO THE ECONOMIC DOMINATION OF THE COUNTRY BY FOREIGNERS IN THE DAYS OF THE KHEDIVE.

FOOD MACHINERY CORP. WAS CLOSE TO SIGNING A CONTRACT WITH THE EGYPTIAN GOVERNMENT LAST YEAR, BUT THE MINISTRY OF AGRICULTURE TOLD IT TO SCALE THE DEAL DOWN TO A 1,500-ACRE PILOT PROJECT, HENRY WRIGHT, THE COMPANY'S MANAGER FOR THE PROJECT, CONFIRMED IN A TELEPHONE INTERVIEW.

ONE OF THE CHIEF ATTRACTIONS FOR FOOD MACHINERY CORP. WAS LIMITED OFFICIAL USE
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CLEARLY THE CHANCE TO MARKET THE AGRICULTURAL MACHINERY IT MANUFACTURES. BUT THE SMALL PROJECT OFFERED LITTLE CHANCE FOR PROFIT, AND THE COMPANY THEN PROPOSED A 33,000-ACRE SCHEME.

AFTER MORE BARGAINING, WRIGHT SAID, THE COMPANY HAS WITHDRAWN ALL PROPOSALS BECAUSE QUOTE THE ECONOMIC AND POLITICAL CONDITIONS WERE NOT SUITABLE UNQUOTE. HE REFUSED TO ELABORATE.

ARAB SOURCES MAINTAIN THAT THE COMPANY DROPPED OUT WHEN THE EGYPTIAN GOVERNMENT MOVED TO ACCEPT BIDS FROM OTHER COMPANIES FOR FARM EQUIPMENT. WESTERN SOURCES SAY THE WHOLE DEAL CAME UNSTUCK SOMEHOW AFTER THE UBIQUITOUS FINANCIER FROM SAUDI ARABIA, ADNAN KHASHOGGI, ENTERED THE PICTURE AND OFFERED TO HELP THE COMPANY ORGANIZE THE PROJECT BY FOUNDING AN INVESTMENT BANK, A HOLDING CORPORATION AND AN ANIMAL-RAISING PROJECT IN COORDINATION WITH FMC.

THE COMPANY RESISTED KHASHOGGI'S EFFORTS TO TAKE THE LION'S

SHARE OF THE PROJECT, THE WESTERN SOURCES REPORT, AND
SOON FOUND THAT THE WELL-CONNECTED SAUDI'S ANIMAL-
RAISING PROJECT WAS GOING AHEAD AND THEIRS WAS STALE-
MATED. DOCUMENTS FROM KHASHOGGI'S TRIAD CORP. SHOWS
TRIAD CRITICIZING ANY EFFORT TO IMPLEMENT THE 33,000-
ACRE PROJECT UNLESS IT WAS QUOTE INTEGRATED INTO A SOUND
AND PROFESSIONAL INVESTMENT PACKAGE UNQUOTE.

THE UPSHOT OF MORE THAN A YEAR'S NEGOTIATION IS THAT
EGYPT CURRENTLY HAS NO SERIOUS PROPOSAL FOR DEVELOPING
THE AGRO-INDUSTRY THAT WAS SUPPOSED TO PROVIDE IMPORTANT
NEW ECONOMIC IMPETUS FOR THE COUNTRY. THE DEAL HAS LOST
SADAT PRECIOUS TIME AND HAS APPARENTLY LEFT SOME BITTER
FEELINGS. WRIGHT WAS EVASIVE WHEN ASKED ABOUT
KHASHOGGI'S ROLE IN THE EGYPTIAN PROJECT. END TEXT. KISSINGER

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